

Financial Report

Lake Pontchartrain Basin Foundation

December 31, 2010



Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 14 2011

TABLE OF CONTENTS

Lake Pontchartrain Basin Foundation

December 31, 2010

	<u>Page Number</u>
Financial Section	
Independent Auditor's Report	1 - 2
Exhibits	
A - Statement of Financial Position	3
B - Statement of Activities	4 - 5
C - Statement of Functional Expenses	6 - 7
D - Statement of Cash Flows	8
E - Notes to Financial Statements	9 - 18
Supplementary Information	
Schedule	
1 - Schedule of Revenues, Support, and Expenses - Actual to Budget	19
Special Report of Certified Public Accountants	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	20 - 21
Schedule of Findings and Responses	22 - 25
Reports By Management	
Schedule of Prior Year Findings and Questioned Costs	26 - 27
Management's Corrective Action Plan	28 - 29

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Lake Pontchartrain Basin Foundation,
Metairie, Louisiana.

We have audited the accompanying statement of financial position of Lake Pontchartrain Basin Foundation (the "Foundation") (a nonprofit Foundation) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated June 24, 2011 on our consideration of the Foundation's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The Schedule of Revenues, Support and Expenses - Actual to Budget is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 24, 2011.

STATEMENT OF FINANCIAL POSITION**Lake Pontchartrain Basin Foundation**

December 31, 2010

Assets

Cash and cash equivalents	\$ 629,983
Cash restricted for program expenditures	469,211
Investments	517,190
Grant receivables	78,144
Prepaid insurance	1,410
Property and equipment, net of accumulated depreciation	<u>44,524</u>
Total assets	<u>\$ 1,740,462</u>

Liabilities

Accounts payable and other liabilities	<u>\$ 66,033</u>
--	------------------

Net Assets

Unrestricted	1,147,980
Temporarily restricted	523,949
Permanently restricted	<u>2,500</u>
Total net assets	<u>1,674,429</u>
Total liabilities and net assets	<u>\$ 1,740,462</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Lake Pontchartrain Basin Foundation**

For the year ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Donations	\$ 90,376			\$ 90,376
Donated services	59,741			59,741
Donated use of office space	26,005			26,005
Fund raising events	238,814			238,814
Grants:				
Department of Environmental Quality		\$ 121,232		121,232
Environmental Defense		72,675		72,675
Environmental Protection Agency:				
Gulf of Mexico		21,598		21,598
PRP		413,833		413,833
TWS		46,366		46,366
Kresge		120,000		120,000
McKnight		104,315		104,315
Oil spill		30,000		30,000
Reefs 2009		2,328		2,328
Surdna Foundation		37,041		37,041
Other		107,366		107,366
Investment income	38,615			38,615
Lighthouse income	100,974			100,974
Membership sales	26,220			26,220
Merchandise sales	7,552			7,552
Miscellaneous income	38,380			38,380
Total support and revenues	626,677	1,076,754	-	1,703,431
Net assets released from restrictions:				
Expiration of time restrictions and program restrictions satisfied through payments	1,103,048	(1,103,048)		-
Total revenues, support and net assets released from restrictions	1,729,725	(26,294)	-	1,703,431

Exhibit B
(Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses				
Program services:				
Environmental education	242,958			242,958
Scientific and field research	781,052			781,052
Total program services	1,024,010	-	-	1,024,010
Supporting services:				
Fund raising	293,372			293,372
Management and general	322,013			322,013
Membership promotion	89,380			89,380
Total supporting services	704,765	-	-	704,765
Total expenses	1,728,775	-	-	1,728,775
Change In Net Assets	950	(26,294)	-	(25,344)
Net Assets				
Beginning of year as restated (Note 3)	1,147,030	550,243	\$ 2,500	1,699,773
End of year	<u>\$ 1,147,980</u>	<u>\$ 523,949</u>	<u>\$ 2,500</u>	<u>\$ 1,674,429</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSE**Lake Pontchartrain Basin Foundation**

For the year ended December 31, 2010

	Program Services		Support Services			Totals
	Environmental Education	Scientific and Field Research	Fund - Raising	Management and General	Membership Promotion	
Bank charges				\$ 40		\$ 40
Computer maintenance	\$ 4,737	\$ 5,507	\$ 1,834	6,693	\$ 1,681	20,452
Donated services	488	1,950	4,713	6,176	2,926	16,253
Donated services - match				43,488		43,488
Donated use of facilities	780	3,121	7,541	9,882	4,681	26,005
Dues and subscriptions				347		347
Environment issues	1,277					1,277
Fringe benefits and payroll taxes	15,953	35,048	11,612	31,639	14,750	109,002
Fundraising events:						
Back to the Beach			137,996			137,996
Beach Sweep			6,173			6,173
Golf tournament			11,813			11,813
North Shore party			10,683			10,683
Rodeo			1,155			1,155
South Shore party			6,808			6,808
Grant expenditures:						
Department of Environmental Quality		21,894				21,894
Department of Health and Hospitals		4,847				4,847
Department of Health and Hospitals 2010		9,026				9,026
Environmental Defense Fund 2009 - 2010		69,057				69,057
Entergy Oyster Reef		3,154				3,154
Indirect costs	12,153	14,298		9,294		35,745
Jefferson Parish Reef		3,000				3,000
Kresge		4,982				4,982
Mandeville Wetland	15,979					15,979
McKnight #2		49,779				49,779
McKnight 2010		62,308				62,308
McKnight 2009		17,395				17,395
Merck-2009		21,790				21,790
New Orleans Fund Bayou St. John	21,485					21,485
North Shore Foundation Coastal		19,130				19,130
Oil spill expenses		54,404				54,404
Reef 2009		2,328				2,328
Surdna Foundation		81,409				81,409
Insurance	4,547	5,815		3,703		14,065
Lighthouse	20,477		257			20,734
Miscellaneous expense	1,562	2,275	7,575	3,341	2,217	16,970
Miscellaneous projects supplies/equipment			1,448			1,448
Newsletter	9,118					9,118
Outside/professional services	14,912	72,928	7,743	10,682	3,871	110,136

**Exhibit C
(Continued)**

	Program Services		Support Services			Totals
	Environmental Education	Scientific and Field Research	Fund - Raising	Management and General	Membership Promotion	
Parking	1,447	1,675	721	2,314	661	6,818
Poster sales			1,264			1,264
Printing and postage	2,052	581	8,388	3,237	3,954	18,212
Property taxes	452	532		345		1,329
Recreation map	3,076					3,076
Rent	11,640	13,559	3,681	15,063	3,374	47,317
Salaries	86,162	177,426	50,684	154,372	42,810	511,454
Seminars and conferences	608	1,315	400	150		2,473
Supplies and equipment	3,456	4,592	1,819	4,317	1,668	15,852
Taxes and licenses	14	14	67	121	61	277
Telephone and internet	4,566	5,258	3,072	8,633	2,816	24,345
Travel	3,755	6,574	786	1,442	721	13,278
Vehicle and boat maintenance	1,730	1,954				3,684
Total expenses before depreciation	242,426	778,925	288,233	315,279	86,191	1,711,054
Depreciation	532	2,127	5,139	6,734	3,189	17,721
Total expenses	<u>\$ 242,958</u>	<u>\$ 781,052</u>	<u>\$ 293,372</u>	<u>\$ 322,013</u>	<u>\$ 89,380</u>	<u>\$ 1,728,775</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS**Lake Pontchartrain Basin Foundation**

For the year ended December 31, 2010

Cash Flows From Operating Activities:

Change in net assets	\$ (25,344)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Donated investments	(13,140)
Depreciation	17,721
Loss on disposal of property and equipment	3,486
Gain on sale of investments	(433)
Unrealized gain on investments	(15,010)
(Increase) decrease in operating assets:	
Grant receivable	(78,144)
Increase (decrease) in operating liabilities:	
Accounts payable and other liabilities	37,027
Deferred revenue	<u>(16,188)</u>
Net cash used in operating activities	<u>(90,025)</u>

Cash Flows From Investing Activities:

Purchase of investments	(166,123)
Proceeds from sale of investments	103,573
Purchase of property and equipment	<u>(30,688)</u>
Net cash used in investing activities	<u>(93,238)</u>

Net Decrease in Cash and Cash Equivalents (183,263)

Cash and Cash Equivalents

Beginning of year	<u>1,282,457</u>
End of year	<u><u>\$ 1,099,194</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Lake Pontchartrain Basin Foundation

December 31, 2010

Note 1 - NATURE OF ACTIVITIES

Lake Pontchartrain Basin Foundation (the "Foundation") is a non-profit, publicly supported organization. It was established and incorporated September 19, 1989 by Act 716 of the 1989 Louisiana Legislature for the purpose of the restoration and preservation of the environmental and ecological balance of the Lake Pontchartrain Basin.

The Foundation has established goals of attaining improved water quality standards of Lake Pontchartrain and its major tributaries, and the protection and restoration of the Lake Pontchartrain Basin's natural resources including its coast. The Foundation assists and coordinates efforts with Federal, state, and local agencies to clean up and restore the Lake Pontchartrain Basin. The Foundation also undertakes programs and funds research in areas such as municipal runoff, sewage systems, industrial discharge, agricultural discharge, saltwater intrusion, erosion, and habitat restoration.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when the related liability is incurred.

b. Basis of Presentation

The Foundation reports information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on donor stipulations and restrictions placed on contributions, if any. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Basis of Presentation (Continued)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor - imposed stipulations that are maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related cash and investments for general or specific purposes.

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

d. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

e. Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and writes off all balances deemed uncollectible. Management believes all outstanding balances as of December 31, 2010 to be fully collectible.

f. Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Contributions and Revenue Recognition (Continued)

a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Other sources of revenue include grants, contracts, sales of merchandise and fund raising events.

g. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the Statement of Activities as increases or decreases in unrestricted net assets unless the income is restricted by donor or law.

h. Property and Equipment

Property and equipment is recorded at cost when purchased and at fair market value when received as a donation. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for improvements, renewals, and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of property and equipment range from 3 to 10 years. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is recorded in the change in net assets.

i. Allocated Expenses

The costs of providing the programs and other activities are summarized in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimates of the costs involved.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Compensated Absences

The Foundation currently employs a compensated absences policy to which employees earn an escalating number of paid compensation hours each year based on the length of service provided to the Foundation. Employees may carry over and accumulate annual leave time up to a maximum of 240 hours without forfeiture.

As of December 31, 2010, employees of the Foundation had accumulated \$32,995 of employee leave benefits. These amounts are included on the Statement of Financial Position in accounts payable and other liabilities.

k. Income Taxes

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana and is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code ("IRC"), and qualifies as a foundation that is not a private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. As of December 31, 2010, the Foundation believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. Tax years ended December 31, 2007 and later remain subject to examination by the taxing authorities.

l. Subsequent events

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 24, 2011, which is the date the financial statements were available to be issued.

Note 3 - RESTATEMENT

During 2010, it was discovered that the classification of net assets for certain transactions had been improperly classified in previously issued financial statements. While there is no effect on the total net assets of the Foundation, the beginning net assets of the Foundation have been restated to correct this error. The following table presents this correction.

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>
Net assets as of December 31, 2009, as previously reported	\$ 1,277,710	\$ 419,563	\$ 2,500	\$ 1,699,773
Correction	<u>(130,680)</u>	<u>130,680</u>	<u>-</u>	<u>-</u>
Net assets as of December 31, 2009, as restated	<u>\$ 1,147,030</u>	<u>\$ 550,243</u>	<u>\$ 2,500</u>	<u>\$ 1,699,773</u>

Note 4 - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash accounts at several local financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 as of December 31, 2010. The Foundation also has cash equivalent accounts with a brokerage firm. The Securities Investor Protection Corporation insures these accounts up to \$250,000. Uninsured or non-guaranteed cash and cash equivalent balances are approximately \$340,000 as of December 31, 2010.

Note 5 - INVESTMENTS

As of December 31, 2010, investments are composed of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Mutual funds	\$ 477,085	\$ 499,727	\$ 22,642
Pooled investment accounts	<u>17,000</u>	<u>17,463</u>	<u>463</u>
	<u>\$ 494,085</u>	<u>\$ 517,190</u>	<u>\$ 23,105</u>
	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balances as of December 31, 2010	<u>\$ 494,085</u>	<u>\$ 517,190</u>	<u>\$ 23,105</u>
Balances as of December 31, 2009	<u>\$ 417,960</u>	<u>\$ 426,055</u>	<u>\$ 8,095</u>
Increase in unrealized appreciation			<u>\$ 15,010</u>

Investment income for the year ended December 31, 2010 is summarized as follows:

Interest	\$ 22,171
Dividends	1,001
Realized gain	433
Unrealized gains	<u>15,010</u>
Net investment income	<u>\$ 38,615</u>

Note 6 - ASSETS MEASURED AT FAIR VALUE

Fair value concepts are applied in recording investments. A fair value hierarchy which has three levels based on the reliability of the inputs is used to determine fair value. These levels include: Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

Note 6 - ASSETS MEASURED AT FAIR VALUE (Continued)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation uses the market approach for valuing mutual funds and pooled investment accounts which are within the Level 1 fair value hierarchy. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis as of December 31, 2010 are comprised of and determined as follows:

Description	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
World Allocation	\$ 117,050	\$ 117,050		
Core Bond Fund	79,065	79,065		
High Yield Bond Fund	50,082	50,082		
Intermediate Term Bond Fund	108,109	108,109		
Short Term Bond Fund Index	145,421	145,421		
Pooled investment accounts	<u>17,463</u>	<u>17,463</u>		
Totals	<u>\$ 517,190</u>	<u>\$ 517,190</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2010, there were no assets measured at fair value on a non-recurring basis.

Note 7 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2010 is as follows:

Computer equipment	\$ 82,516
Furniture and fixtures	10,219
Boat and other program equipment	<u>157,684</u>
	250,419
Accumulated depreciation	<u>(205,895)</u>
Totals	<u>\$ 44,524</u>

Depreciation expense for the year ended December 31, 2010 was \$17,721.

Note 8 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of grant funding received in advance, net of the related expenditures associated with the grant. These restrictions are considered to expire when payments for restricted purposes are made. Temporarily restricted net assets as of December 31, 2010 are available for the following purposes:

Department of	
Environmental Quality	\$ 7,439
Environmental Defense Fund	38,001
Kresge	115,018
McKnight	175,908
Oil Spill	11,715
Surdna Foundations	33,280
Other projects	<u>142,588</u>
	<u>\$ 523,949</u>

Permanently restricted net assets total \$2,500 which represents the portion of the investment account established through the Greater New Orleans Foundation.

Note 9 - CASH RESTRICTED FOR PROGRAM EXPENDITURES

In accordance with Environmental Protection Agency grant agreements, the Foundation is required to maintain separate checking accounts for which the use is restricted to the purpose of the grant.

Note 10 - PENSION PLAN

The Foundation sponsors a 401(k) plan covering all employees who have completed a minimum of one year of service. Eligible plan participants may contribute to the plan and the Foundation may make matching contributions on behalf of participants of up to 5% of employee contributions. The Foundation's contributions to the plan totaled \$13,924 for the year ended December 31, 2010.

Note 11 - INDIRECT COST

The Environmental Protection Agency grant revenue includes an indirect cost allocation. The amounts of indirect costs reimbursed included in revenue was \$35,745 for the year ended December 31, 2010.

Note 12 - DONATED SERVICES AND OFFICE SPACE

The Foundation records the value of contributed services when the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which would typically need to be purchased if not provided by donation. Some volunteers donate their time in the Foundation's program activities; these services are not recorded if these individuals do not have specialized skills.

For the year ended December 31, 2010, the Foundation recorded donated services in the amount of \$59,741.

The Foundation received donated use of office space, parking, and utilities which are recorded in the accompanying Statement of Activities as donated use of office space. For the year ended December 31, 2010, the value of the donated use of office space was \$26,005. This arrangement is on a month-to-month basis.

Note 13 - RISKS AND UNCERTAINTIES

Investments in various securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by the Foundation.

Note 14 - ECONOMIC DEPENDENCY

The Foundation has a significant amount of revenue received from the Environmental Protection Agency. In 2010, 28% of the Foundation's total support and revenue was derived from Environmental Protection Agency grants.

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, SUPPORT, AND EXPENSES - ACTUAL TO BUDGET**Lake Pontchartrain Basin Foundation**

For the year ended December 31, 2010

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues and Support			
Donations	\$ 90,376	\$ 50,000	\$ 40,376
Donated services	59,741		59,741
Donated use of office space	26,005		26,005
Fund raising events	238,814	309,000	(70,186)
Grants:			
Department of Environmental			
Quality grants	121,232	200,000	(78,768)
Environmental quality	72,675		72,675
Environmental Protection Agency:			
Gulf of Mexico	21,598		21,598
PRP	413,833	892,984	(479,151)
TWS	46,366	55,920	(9,554)
Kresge	120,000		120,000
McKnight	104,315		104,315
Multiple Lines of Defense grants		573,000	(573,000)
Oil spill	30,000		30,000
Reefs 2009	2,328	115,000	(112,672)
Surdna Foundation	37,041		37,041
Other	107,366	121,200	(13,834)
Investment income	38,615	35,000	3,615
Lighthouse income	100,974	630,357	(529,383)
Membership sales	26,220	27,000	(780)
Merchandise sales	7,552	2,512	5,040
Miscellaneous income	38,380	3,000	35,380
Total revenues and support	1,703,431	3,014,973	(1,311,542)
Expenses			
Program services:			
Environmental education	242,958	510,562	267,604
Scientific and field research	781,052	1,641,332	860,280
Total program services	1,024,010	2,151,894	1,127,884
Supporting services:			
Fund raising	293,372	616,503	323,131
Management and general	322,013	676,695	354,682
Membership promotion	89,380	187,823	98,443
Total supporting services	704,765	1,481,021	776,256
Total expenses	1,728,775	3,632,915	1,904,140
Increase (Decrease) In Net Assets	\$ (25,344)	\$ (617,942)	\$ 592,598

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Lake Pontchartrain Basin Foundation,
New Orleans, Louisiana.

We have audited the financial statements of Lake Pontchartrain Basin Foundation ("the Foundation") (a nonprofit organization), as of December 31, 2010 and for the year then ended, and have issued our report thereon, dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies in internal control over financial reporting as described in items 10-01 and 10-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Foundation's responses to the findings identified in our audit are described in Management's Corrective Action Plan. We did not audit the Foundation's responses and, accordingly we express no opinion on them.

This report is intended for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and federal awarding agencies, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 24, 2011.

SCHEDULE OF FINDINGS AND RESPONSES

Lake Pontchartrain Basin Foundation

For the year ended December 31, 2010

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

b) Federal Awards

Lake Pontchartrain Basin Foundation did not expend Federal awards in excess of \$500,000 during the year ended December 31, 2010, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

10-01 Preparation of Financial Statements and Disclosures

Criteria - Adequate internal controls in relation to financial reporting require the Foundation to have the ability to prepare its own financial statements in accordance with generally accepted accounting principles (GAAP), including all required footnote disclosures, or detect misstatements or errors in statements prepared by others.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

10-01 Preparation of Financial Statements and Disclosures (Continued)

Condition - Year ended December 31, 2010 financial statements and required disclosures were not prepared by the Foundation.

Context - The year end financial statements were prepared by the auditors.

Cause - The management of the Foundation has not determined a need for a financial person possessing the required technical expertise for cost benefit reasons.

Effect - The independent auditor cannot be part of the Foundation's internal control over financial reporting.

Recommendation - Management and those charged with governance can mitigate the lack of expertise in preparing year end financial statements by carefully reviewing the financial statements, including disclosures.

Views of responsible officials of the auditee when there is disagreement with the finding, to the extent practical. - None.

10-02 Internal Control Structure

Criteria - The internal control structure should be designed to contain segregation of duties to provide reasonable assurance that all transactions are being properly recorded, all receivables and payables are properly posted to the general ledger, and all assets are properly safeguarded.

Condition - The Organization's internal control structure can be strengthened under its current design as one individual is performing the majority of the accounting functions.

Context - Systematic.

Cause - The internal control structure does not contain certain controls to address the lack of segregation of duties.

Effect - A system of internal controls currently exists which could lead to errors or irregularities which may not be detected by those in charge of governance.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

10-02 Internal Control Structure (Continued)

Recommendation - The Foundation should design a system of controls to address the lack of segregation of duties. Such controls should include: 1) obtaining the Executive Director's approval of bank reconciliations, 2) forwarding the unopened bank statement to an authorized check signer for review.

Views Of Responsible Officials Of The Auditee - When There is a Disagreement With the Finding, to the Extent Practical - None.

10-03 Grant Receivable

Criteria - Adequate internal controls relating to grant receivables require that specific procedures be in place to ensure that receivables are properly recorded and supported on a timely basis.

Condition - The grants receivable accounts required adjustments of approximately \$78,000 resulting from not accruing the proper amounts related to grant reimbursement requests submitted for current year expenses.

Cause - The Foundation is not effectively monitoring and reconciling grant receivable balances.

Effect - The lack of adequate internal controls relating to the grants receivable function could result in the financial statements being materially misstated.

Recommendation - The Foundation should record grants receivable at the time that expenses reimbursable under grant agreements are incurred. The grant receivable account should be reconciled on a monthly basis and the reconciliation should be documented as approved by management.

(Continued)

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

10-03 Grant Receivable (Continued)

**Views Of Responsible Officials Of The Auditee - When There is a Disagreement
With the Finding, to the Extent Practical - None.**

Compliance and Other Matters

There were no findings noted during the audit for the year ended December 31, 2010 related to compliance and other matters.

Section III - Internal Control And Compliance Material to Federal Awards

The Foundation did not expend Federal awards in excess of \$500,000 during the year ended December 31, 2010, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audit of State, Local Governments, and Non-Profit Organizations.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS

Lake Pontchartrain Basin Foundation

For the year ended December 31, 2010

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Financial Statements**

Internal Control Over Financial Reporting

09-01 Financial Statement Preparation

Recommendation - It was recommended that management continue to strive to gain the necessary expertise to prepare comprehensive financial statements in compliance with generally accepted accounting principles.

Current Status - Unresolved. Management and those charged with governance will carefully review audited financial statements and related disclosures. For cost benefit reasons, management will rely on the independent auditor to identify related disclosures and prepare the financial statements in accordance with generally accepted accounting principles. See 10-01.

09-02 Segregation of Accounting Duties

Recommendation - It was recommended that the Finance Committee and Executive Director continue to be informed of and monitor the day to day activities and standing of the Foundation in order to mitigate the lack of segregation of accounting duties.

Current Status - Unresolved. Those in charge of governance will institute mitigating controls to address the lack of segregation of accounting duties. See 10-02.

Compliance and Other Matters

There were no findings noted during the audit for the year ended December 31, 2009 related to compliance and other matters.

Section II - Internal Control and Compliance Material To Federal Awards

There were no findings noted during the audit for the year ended December 31, 2009 related to compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2009.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Lake Pontchartrain Basin Foundation

For the year ended December 31, 2010

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

10-01 Preparation of Financial Statements and Disclosures

Recommendation - Management and those charged with governance can mitigate the lack of expertise in preparing year end financial statements by carefully reviewing the financial statements, including disclosures.

Management's Corrective Action - Management will work toward implementing internal controls which will address the preparation of year end financial statements and related disclosures.

10-02 Internal Control Structure

Recommendation - The Foundation should design a system of controls to address the lack of segregation of duties. Such controls should include: 1) obtaining the Executive Director's approval of bank reconciliations, 2) forwarding the unopened bank statement to an authorized check signer for review.

Management's Corrective Action - Management and those charged with governance will implement a system of internal controls to address the lack of segregation of duties.

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

10-03 Grant Receivable

Recommendation - The Foundation should record grants receivable at the time that expenses reimbursable under grant agreements are incurred. The grant receivable account should be reconciled on a monthly basis and the reconciliation should be documented as approved by management.

Management's Corrective Action - The Foundation has implemented procedures to ensure the grants receivable account is reconciled on a timely basis.

Compliance and Other Matters

There were no compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2010 related to compliance and other matters.

Section II - Internal Control and Compliance Material To Federal Awards

The Foundation did not expend Federal awards in excess of \$500,000 during the year ended December 31, 2010, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audit of State, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2010.